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TAGS: [ECON](#) [EFIN](#) [ETRD](#) [EINV](#) [UK](#)  
SUBJECT: CHANCELLOR DARLING IN PERILOUS POSITION AFTER  
EXPENSES SCANDAL; BUSINESS LEADER URGES RE-FOCUS ON  
BRITISH ECONOMY

Ref: London Daily 06/02/09

¶1. (SBU) Summary: Chancellor Alistair Darling's position in the UK Cabinet has been threatened by expense allegations. The Daily Telegraph, the newspaper at the heart of the recent expenses scandal, accused Darling of claiming expenses on two properties at the same time, not allowed under current expense arrangements for second homes. Darling has since apologized "unreservedly" for the mistake and has paid back GBP 668 (USD 1100). PM Gordon Brown initially supported the Chancellor, but has since refused to answer questions about his future. Nick Clegg, leader of the Liberal Democrats, has called for the Chancellor to be sacked. Media commentators widely speculate that Ed Balls, current Secretary for Schools and Children, will replace the Chancellor in a Cabinet reshuffle, expected shortly after the June 4 European election. This news comes as a leading UK business leader warned the expenses scandal was proving a damaging distraction from important economic issues. End summary.

¶2. (SBU) Alistair Darling's position as Chancellor is increasingly uncertain after expense revelations threaten to undermine his seat within the Cabinet, according to media reports. The Daily Telegraph, the newspaper at the heart of MPs' expenses scandal over the last three weeks, said the Chancellor claimed expenses for his private flat in south London after he had already moved into his government-owned flat at 11 Downing Street. The Chancellor, who initially denied claiming for two houses at the same time, has since paid back GBP 668 and apologized "unreservedly" for his mistake. Shortly after the story broke in The Daily Telegraph, the Prime Minister publicly supported the Chancellor on BBC Radio. However, the Prime Minister has since repeatedly refused to answer questions about the Chancellor's future, saying: "Alistair Darling has been a great Chancellor." Commentators are highlighting the passive language.

¶3. (SBU) Nick Clegg, leader of the Liberal Democrats, has called for the Chancellor to be sacked, saying a Chancellor needs to enjoy the public's trust when it comes to issues of financial probity. As such, Clegg said it is impossible for Darling to continue in his role when there are questions about his financial affairs. Vince Cable, the party's Treasury spokesman, said Mr. Darling had been caught with his fingers in the till and said his moral authority had vanished. There is widespread media speculation that Darling will lose his position in the upcoming Cabinet reshuffle, expected shortly after Thursday's European election. Ed Balls, currently Secretary for Schools and Children and a close ally of the Prime Minister after their time together in the Treasury, is expected to replace Mr. Darling. The FT

reported the Prime Minister is planning to focus on a "national economic recovery plan," and a new Chancellor would help promote a fresh, upbeat message.

#### Business Complains About Government's Lack of Focus

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¶4. (SBU) The Parliamentary expenses scandal is proving a damaging distraction from important questions needing to be addressed in relation to the economic crisis, according to a prominent UK business leader. Richard Lambert, Director-General of the Confederation of British Industry (CBI), warned measures to fight the recession are being neglected as the UK Parliament focuses on the scandal. Lambert said he had spoken to business people in Brussels who were bewildered by what was happening in the UK. He told the FT: "Clearly there's an enormous, understandable public outrage...but we've got big decisions to be taken by all the big political parties about the future shape and role of the state, and these have been completely brushed to one side." The CBI confirmed to us what was reported in the FT but did not want to comment further. Stephen Alambritis, of the Federation of Small Businesses, echoed Lambert's sentiments, saying the UK is still experiencing a recession, people are still losing their jobs and small businesses are still closing down & the government should focus on these issues.

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